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"How Should Real Estate be Valued For Taxation?"

Guy C. Swanson, Esq.

To make this paper so far as possible of some practical if local benefit, I believe it well to limit the question under discussion. Laying aside the theories of "how real estate should be valued for taxation," I will try to give a synopsis of how real estate should be valued for taxation in the State of Pennsylvania under existing laws, and by local example call attention to the methods in use among assessors.

The theory of correct and just taxation of real estate may be a profitable inquiry, but our statutes have provided a mode which is not to be lightly changed. It is of value to us to know our rights under the statute and to become familiar with the general power to tax, what is subject at present to taxation, and the mode of assessment, valuation and collection under existing acts of assembly.

The power of taxation is in the legislature, is limited only by express constitutional provision, and the necessities of the state as controlled by the people. Every presumption is in favor of the right to tax. The legislature cannot bind its successors, it may select its subjects for taxation and provide for the mode of collection and impose penalty for non-payment.

Our first constitution of 1790, limited the power to levy taxes to the needs of a government, economically administered. The Constitutions of 1838 and 1874 disregard this restraint. In Section one of Article nine, the Constitution provides "All taxes shall be uniform upon the same class of subjects within the territorial limits of the authority levying the tax, and shall be levied and collected under general laws, but the General Assembly may by general laws exempt from taxation public property used for public purposes, actual places of religious worship, places of burial not used or held for private or corporate profit, and institutions of a purely public charity.

Section Two: All laws exempting property from taxation other than the above enumerated, shall be void.

Section Three: The power to tax Corporations and corporate private prop-

erty, shall not be surrendered or suspended by any contract or grant to which the state shall be a party.

The Act of May 20th, 1901, the last Act relating to exemptions from taxation, provided in general that all churches, burial grounds not used for private gain, Institutions of Learning, benevolence or charity, school houses, court houses and jails, shall be exempt from taxation. Provided, however, that any part of said property from which an income is derived, shall be subject. The same Act also provides that where the net receipts from rentals of public libraries are not sufficient to maintain the same, that such libraries shall be exempt from taxation.

By Virtue of Section 8, article 9 of the Constitution and the act of April 20th, 1874, the following limitations of the power to tax were created. No County or municipality can increase its indebtedness to more than 7 per cent. of the assessed value of the taxable property therein, nor can it create a net debt exceeding 2 per cent. upon the assessed value, without first obtaining the assent of the majority of the electors thereof at a public election.

Roughly speaking, divided as to their ultimate appropriation, taxes are of two classes, taxation for State purposes and taxation for local purposes. For State purposes alone the following items are held to be taxable: Mortgages, Judgments, Obligations, Public Loans and Stocks except State and United States Bonds and Annuities over two hundred per year, personal property not otherwise taxed, occupations, corporations.

In general there are two kinds of property taxed, Realty and Personalty and realty being divided into seated and unseated. It is with the realty that we have to do. Without being minute or exact, the mode of assessment and collection of taxes may be stated as follows: Every township, borough and ward in each borough, elects one person to serve as assessor for three years. Within twenty days of his election he files with the County Commissioners his oath of office. In case of vacancy, the commissioners shall appoint a person to fill the same.

Under the Act of 1897 the commissioners issue their precepts to the assessors for the triennial assessment on or before the second Monday of September, and the assessors complete their assessment on or before the 31st day of December. Having received the last valuation and instructions, etc., from the County Commissioners, it is the duty of the assessor to "go from house to house and assess, rate, value and return all objects for taxation, whether for state, county, district, ward, township or borough purposes, according to their actual value and at such rates and prices as they would separately and bonafide sell for." The property listed, is either realty or personalty, the realty being either seated or unseated. Having returned their assessments, the County Commissioners acting as a Board of Revision, may examine and correct them, and if they believe any property has been assessed and valued below its actual value, to raise the same to the actual value, thereof, or if the same has been assessed or valued above its actual value, to reduce the same thereto, provided that in no case shall they

impose a different rate in different townships in their county, but the same shall be equal throughout, on the same class of subjects and for taxes levied for the same purpose.

Having ascertained the proper proportions, the commissioners shall give notice by advertisement at least three weeks before the day of appeal of the time and place fixed for appeal. At such appeals the commissioners with the assessors shall attend and shall grant such relief as shall to them appear just and reasonable. From the decision of the commissioners the appellants may appeal to the court for relief. Having equalized the assessments, the County Commissioners forward the duplicates to the persons charged by law, with their collection. With the mode of assessment and collection of taxes, not much fault can be found. It is intended that the rights of property owners shall be protected. It is the duty of the officers making the assessments and equalizing the same, to fix the valuation as nearly equal as may be reasonable and just, and assess the taxes the same way throughout the district for whose benefit the taxes are levied.

As to realty, you will remember that the duty of the assessor as well as the County Commissioners acting as the Board of Revision, "is to assess, rate and value all objects of taxation, whether for County, Township or Borough purposes according to the actual value thereof, and at such rates and prices for which the same will bonafide sell." That is, after full public notice at Public Sale, this is the rule laid down by the statute, and it seems to be a just and reasonable one.

The faults, if any, of our system lies with the assessors and the Board of Revision. In fulfilling his duties, the assessor we believe, should take into consideration the following facts relating to the value of a property:

First: The cost thereof together with improvements.

Second: The appreciation or depreciation above or below its cost.

Third: Its value to the owner.

Fourth: Its value compared with surrounding property.

Fifth: The price for which it would sell.

It will be noticed that the first four criterions of value may be and are included in making up the fifth. As to the cost of the property, the cost as one of the elements of value, shows the money spent upon it and actually invested therein. This of course can only be of service where the money has been invested at a time near the date of assessment or under similar conditions; for example, a lot in the third ward was purchased thirty years ago for $800.00, two years ago the adjoining lot was purchased for $6000.00. In the latter the cost is an element of value, in the former it is not. It would be absurd to assess the one lot at $800.00 and the other lot at $6000.00, but that seems to be the method employed by some assessors.

The appreciation or depreciation of realty above or below its cost."

The cost of a property with its improvements may at one time have represented the value thereof, but through neglect changed financial conditions or de-

mand for such properties the value may be deminished or increased. For example, a house in the fourth ward, with which we are all familiar, cost with its lot something like $6000.00, today through neglect it would not sell for more than $4500.00, yet the old assessment has been carried upon the rolls from year to year without any change. On the other hand, property which has largely increased in value has been carried for a period of five and six years at a time on the rolls without an increase in assessment.

Certain properties in the fifth and sixth wards have been carried at the same rate they were assessed before buildings were erected. It may be here stated, that it has been held by our Court that the laying out in to town lots of unseated land may be an improvement.

Third: "Its value to the owner."

Certain properties are of more value to the owner than to any intending purchaser, either by reason of some sentimental interest or associations. A property, in a town the size of Warren where wealthy men have built fine homes, may be worth more to such an owner than to the generalty of people. Purchasers for expensive properties may be few, and a house or lot costing possibly $150,000.00, if sold at public sale might not bring more than thirty or forty thousand dollars, because no person could be found with sufficient money who at that time would desire to purchase, yet to one desiring a property of that nature, it would be worth all the money spent upon it. There is a property in one of the Wards of the Borough assessed at about $33,000.00, its value measured by its cost, by the value which the owner puts upon it and the price for which it would sell to someone desiring such a property, would be at least $125,000.00. It will be noticed that this property is assessed at about one-fourth of its value measured by its cost, etc. All other propery in the same neighborhood is assessed from one-third to one-half its value.

In talking with the assessor about this discrepancy, he gave as a reason for this assessment, that the property if put upon the market would not sell for more than the price at which it is assessed, because possibly only one person in the town would be able to purchase such a property and maintain it, yet the value is there to its owner, in its cost, and there has been no depreciation.

Fourth: "Its value compared with surrounding property."

In commenting upon the other elements of value, this has been touched upon. In the Fifth Ward Borough of Warren there are two lots, the one with an assessment of $40.00 and the other adjoining and in exactly the same situation with an assessment of $250.00. This discrepancy has come about through the fact that the first lot is one of a parcel of lots, carried in the name of a large land owner from year to year on the rolls. Its neighbor has been transferred to a working man who has built a house on another lot adjoining and so increased the value of the second lot. It would seem that if the one lot is carried at $250.00, the other lot should be carried at the same price, no matter if it is one of the plot of lots.

Fifth: "What the Realty would sell for."

This is the criterion for value fixed by statute, and of course includes all the other elements of value. It is upon this point, however, that the assessors make the most of their mistakes, and excuse their actions in assessing some of our fine properties in this town at a lower rate proportionally than they assess other properties in greater demand, because of their not coming within the means of an ordinary purchaser.

There is a greater demand for more reasonable properties, because of the greater number of purchasers able to buy, but the more expensive property is although not in such demand, to the right purchaser having money and the desire, would bring proportionally the same amount.

"Shall We Buy the Water Works, and How?"

E. H. Beshlin, Esq.

"A plenteous supply of pure water is one of the greatest blessings that can be bestowed upon a community. Like most of the other good things of this world it does not come for the asking, nor can it be maintained without an effort." Such is the language used by M. N. Baker, Editor of Manual of American Water Works in a paper on this question.

In the forest or woodland, out on the hill or mountain side, or possibly on some far away plain, water, as it gurgles out of the ground, is free to all who come. Here in these places you may drink the purest water without money or question. In the cities and towns of our land no water is free without some labor or effort. How to get the best supply of pure water at the lowest price is a question as old as the towns and cities are in which it is discussed. Shall water be supplied by the municipality or by a private corporation? In other words, shall Warren own its water works?

In order to properly consider the subject, I have, for the sake of convenience, divided it into three subdivisions: namely, (1) Objections, (2) Obstacles, (3) Advantages. I will treat these in the order stated.

Those who have studied the question of municipal ownership of water work systems state two objections thereto, (1)—Political rather than business methods may dominate. (2)—The cost of supplying water will not be properly divided between public and private consumers. I shall also treat these two objections in their order.

John W. Hill, Chief Engineer of the Cincinnati water works, says on this question: "My experience teaches me that private corporations engaged in building and operating water works systems almost invariably secure better results in construction and operation than are obtained by municipal corporations subject to rapidly changing political influences, and whose public utilities are used, as they are bound to be used, as nesting places for active politicians, whose chief claim for favor rests upon political services rather than upon merit and experience in the conduct of any branch of water supply.

That there are exceptions to this rule is not surprising. There is one city in the United States which enjoys a metropolitan water supply under the control of the state. The governor appoints the commissioners, and the commissioners and all their employes can expect to hold office for life, or during good behavior. In this instance political influence is removed from the design, construction and operation of the works of public water supply. The commissioners and all their employes deal with the water works as a matter of business, and I am informed that no political test is ever applied to any man appointed to a position under this board. This is the only city in this country which I now recall where such a condition exists.

The relations between the officers and capitalists of a private water company are precisely the same as those between any set of responsible men in a commercial or manufacturing business. Plans are mutually studied to secure the best results at least cost. In securing bids for work the lowest prices are usually obtained by private parties, because none of the usual legal restrictions and "red tape," which pervades all transactions in municipal governments, is permitted to enter into the operation of a private company; and better prices and better terms can be made in behalf of a responsible private corporation than in behalf of a municipal corporation. I speak of this matter from actual experience, and have had occasion to state to the officers of municipal corporations that if the particular works under consideration could be constructed as a private enterprise, that money and time could be saved the taxpayers or water takers.

In the operation of a municipal water works there can be no doubt that a company can secure better results than a municipal corporation, if I except the single city in this country referred to above. A private corporation is bound to supply water in quantity and quality up to the terms of its contract, and to the satisfaction of its patrons. In a measure, it is required to do business with the citizens very much as any local manufacturing or commercial company would be required to conduct its business if it depended entirely upon local patronage; it must satisfy its customers. How few of the larger cities of the country satisfy the requirements of the water consumers.

A private water company is constantly seeking business. It is bound to conduct its service and adjust its water rates to secure this, and while the matter of profit is necessarily always in view, and properly kept in view by the private water company, nevertheless no company can be so indifferent to its own interests as to refuse to listen to the just demands of the community which it is serving.

I believe the trend of sentiment today is distinctly against municipal ownership of works of public water supply and of some other public utilities, and more emphatically against the operation of such works by municipal corporations. In fact, I believe that the less a municipal corporation dabbles in lines of business, which experience has demonstrated private parties are able to conduct successfully, the greater will be the advantage to the people.

While I believe that the ownership, construction and operation of works of public water supply and other public utilities should be in the hands of private corporations, I do not mean by this that they should not be subject to proper municipal control. Every water company should be required to supply water in quantity and quality to meet the most exacting requirements of its patrons; it should be required to maintain its physical works in good condition; it should be required to develop its resources, contemporaneous with or in advance of the requirements of the community; it should be required to sell its product at a rate which—after paying the operating and maintenance charges, and fixed charges on the investment for the work, will yield a reasonable profit to the holders of its stock; and it should be always willing to meet and remove any reasonable objections which may be raised to the service rendered, in a spirit of fairness and justice to the community upon the necessities and favor of which it depends for its revenues.

There are certain lines of public work which probably cannot very well be turned over to private corporations—the construction and maintenance of streets and highways, of bridges and viaducts, the distribution of public light, and the construction and maintenance of sewers and drainage, because these things would be very difficult of management by a private company by reason of certain questions which are bound to arise from time to time with reference to each—for example, adjustments of damages, and other question of a legal nature which could not very well be assigned to private parties for disposition.

No such questions, however, can be raised with reference to works of public water supply, gas works, electric light works, street railways, works for the collection and disposal of garbage, and perhaps some other enterprises where the duties and obligations of the private company can clearly be defined by contract.

There are probably few men who would not prefer to serve a private corporation at a lower salary or wage, by reason of the advantages previously mentioned. It would be almost an unheard of proposition to assume that any company would choose its engineer, its superintendent or manager by reason of his political affiliations or for any other reason than his peculiar fitness for the work to which he is to be assigned.

Can it be doubted that much of the trouble, bickering and delay which has already been experienced in conducting the work of digging the Panama Canal can be ascribed to anything else than the fact that the work is being conducted by the federal government? Or can it be doubted that, if this enterprise were turned over to a company of experienced business men, it would be built better, and more quickly and economically than by the employes of the United States Government?"

Personally, I do not believe in a town the size of Warren that the council would permit incompetent men to run the water works, if the Borough owned the plant. Neither do I believe that they would pay to the superintendent and other employes exorbitant salaries. It is possibly true that new councils might,

under present political conditions, change the superintendent and other officers from time to time, thereby, in my opinion, crippling the service and management of the works. Those who object most strongly against municipal ownership at the same time say that municipalities cannot very well turn over to private corporations the construction and maintenance of streets and highways, of bridges and viaducts, for the reason that these things would be very difficult of management by private companies. I should like to have them point out for me the difference between the construction of streets, highways, etc., and their maintenance, and the construction and maintenance of water works systems, and to show where the opportunity for graft, high salaries, etc., is greater in the one case than in the other. It is possible that a man might work for a private corporation at a smaller salary than he would for a municipality, because in the one the question of politics would not arise, while in the other he might realize all of a sudden that to the victor belongs the spoils. This, however, is not an argument, in my opinion, against municipal ownership, for, in determining whether we shall have municipal ownership or not, we should weigh all objections against, as well as all of the arguments for the proposition. As I shall show hereafter, the history of municipal ownership tends to show that it is for the greatest good to the greatest number; hence the salary of a few men, and the question of their employment ought not to be seriously considered when better service at less cost can be obtained.

As to the second objection, namely, that the cost of supplying water will not be properly divided between public and private consumers, I have only to say that it is my opinion that the same reasons which would induce a municipality to discriminate in rates would also and much more easily, move a private corporation to do the same thing. The probability, in my opinion, of a municipality discriminating in rates is much less than in the case of a private corporation, for in the one case the plant is generally run simply for the purpose of paying expenses of operating, interest on unpaid indebtedness, salaries and the cost of additions, while in the case of privately owned water works, if the truth be told, all of these expenses must be paid and the stockholders ought to, and doubtless do receive, in the one form or another, dividends on their investment from time to time. In these days when the conduct of public officials is possibly being scrutinized more carefully than in the recent past, we have a right to assume that an intelligent citizenship, such as ours, would not tolerate for a very long time at least mismanagement or graft in the conduct of the water works, if it owned the plant. At present graft or misconduct in office is not popular everywhere even if it is in some places.

We come now to consider the second division of our subject, namely, obstacles to municipal ownership. In Pennsylvania, more particularly than in any other state, these may be embraced under two heads, in fact, they are so closely related that they may be considered together. They are legal and financial, or, if you prefer, they may be connected with a hyphen and written legal-financial. Water companies derive their power in this state largely under Clause 3

of Section 34 of the Act of April 29, 1874, P. L., 94. The language of this clause is as follows:

Clause 3. "The right to have and enjoy the franchises and privileges of such corporations within the district or locality covered by its charter shall be an exclusive one; and no other company shall be incorporated for that purpose until the said corporation shall have from its earnings realized and divided among its stockholders, during five years, a dividend equal to 8 per centum per annum upon its capital stock: Provided, That the said corporations shall at all times furnish pure gas and water, and any citizen using the same may make complaint of impurity or deficiency in quantity, or both, to the Court of Common Pleas of the proper County, by bill filed, and after hearing the parties touching the same, the said Court shall have power to make such order in the premises as may seem just and equitable, and may dismiss the complaint or compel the corporation to correct the evil complained of."

During the past fifteen years, towns and cities of the size of Warren, or larger or smaller, in the State of Pennsylvania, have attempted to erect water works of their own, but in each case where the municipality had theretofore entered into a contract with the privately owned water company to supply it with water, it was restrained from building or erecting a water works of its own. In support of this statement, I need only cite the case of White vs. the City of Meadville, 177, P. S., 643; Metzgar vs. Beaver Falls Borough, 178 P. S., 1.; Wilson vs. Borough of Rochester, 180 P. S., 509. In the latter case, the Supreme Court uses this language:

"Where a water company has been organized under the Act of April 29, 1874, P. L., 73, to supply a Borough with water and the Borough has entered into a contract with the company and permitted it to lay its pipes in its streets, a Borough cannot subsequently erect and maintain water works to supply its citizens with water, as provided by the Act of May 23, 1874, P. L., 261. The Borough of Warren entered into a contract with the Warren Water Company shortly after the incorporation of the company and permitted it to lay its pipes in the streets and to supply its citizens with water, and, having done this, it cannot now under the decisions of the Supreme Court, erect a water works of its own. After the expiration of the first contract, another contract was executed about the first of the year 1903, which contains a schedule of rates to be charged, and provides for the purchase, by the Borough of Warren, of the plant of the Warren Water Company, at the end of any period of five years during the term of the contract, which term runs for the period of twenty years. This contract defines the rights of the parties, and if the Borough of Warren is to acquire the water works during the next fifteen years, it must proceed in accordance with the conditions contained therein. In order that you may know just what is required to be done by the Borough in purchasing, I quote from the contract in question:

"It is further covenanted, granted and agreed by and between said water company and said Borough of Warren, that within sixty days from the passage

of this ordinance, the Warren Water Company shall name to the committee of the Council of Warren a flat price upon all properties, rights and privileges of the Warren Water Works Company, of every description, and shall show to the Committee of Council having the matter in charge, lists of the physical properties of the company and statements showing the earnings of the company, it being understood that said flat price shall not be a continued option but shall be accepted or refused by the Borough Council within four months of the date the price is named to the committee.

If the Borough of Warren does not decide to purchase the plant at the flat price named within four months, it shall, at any time within three months from the date of refusal to purchase at said flat price, have the right and option to call upon said Warren Water Works Company to join with said Borough in having an appraisement made of the value of the plant and works and franchises of said Warren Water Works, free and clear of all incumbrances, in which event the Borough shall name one appraiser, and the Warren Water Works name one appraiser, and the two so named shall name a third appraiser, who shall be disinterested experts, and the award of such appraisers, or the majority of them, shall be regarded as the value of the property.

Upon such award being made, the Borough of Warren, at its option, shall have the right at any time within four months thereafter to elect whether or not it shall purchase such property, clear of all incumbrances, at the price named in the award, and in the event of the Borough electing to purchase, the property shall be transferred unto it at the next qaurterly period thereafter, clear of all incumbrances, upon the payment of the purchase price, with the understanding that the Warren Water Company will discharge all debts and liabilities, and will reserve and keep as its own all cash on hand and have the right to collect and keep all earnings and accounts accruing prior to the time of transfer until such purchase shall have been made by said Borough.

The said Borough shall have the right at the end of every period of five years from the date of this contract to purchase the plant, works and franchises of the Warren Water Company, the value to be fixed by appraisements in the manner hereinbefore provided and it shall have the right within four months of such appraisement to elect whether or not it will acquire such property upon the terms and in the manner hereinbefore provided.

In case of any such appraisement, however, being made at the instance of the Borough, the expenses thereof shall be borne jointly by the Borough of Warren and the said Warren Water Company, provided however that if the said Borough shall within four months thereafter elect not to purchase said property, it shall pay the entire cost of such appraisement.

In case the said Warren Water Company shall fail (after notice from the Borough aforesaid to purchase said property at the value so fixed by appraisement and tender of amount of appraisement) to turn the same over to said Borough free of incumbrances within four months after receipt of notice from said Borough of its election to purchase the same then this contract shall be

void, except as to the right of said Borough to purchase said property under such last appraisement free of all incumbrances. In case of such failure by said Water Company then the said Water Company shall pay the costs of the said last appraisement and the water rents from all consumers accruing after the expiration of the said last mentioned four months shall belong to the said Borough."

Assuming that the Borough of Warren should wish to exercise its option at the end of any five year period to purchase the water works, the question naturally arises, how shall it proceed? The only obstacle in the way is the one I have suggested. It is impossible under section 1 of Act of April 27, 1874, P. L., 65, to increase the indebtedness of a municipality above seven per centum of the assessed value of the taxable property as fixed by the last preceeding assessed valuation therein. The present assessed value of taxable property in the Borough of Warren is about $4,000,000.00 and seven per centum of this amount equals $280,000.00. The present bonded indebtedness is $155,000.00 less about $25,000.00. The amount in the sinking fund is about $25,000.00. Deducting the amount in the sinking fund from the bonded indebtedness and we have a present outstanding indebtedness of $130,000.00, which deducted from $280,000.00, the maximum amount to which the bonded indebtedness could now be increased, would leave available the sum of $150,000.00 with which to purchase the plant. It is to be assumed that the Warren Water Works, or the Company now owning its plant, would not sell it for $150,000.00. It is true that the plant increases in value more each year, in fact, its ratio of increase, in my opinion, might be greater than the ratio of increase of the taxable property within the Borough. How shall the Borough raise the difference between the amount it is authorized to bond itself for, less existing indebtedness, and the purchase price of the Water Works? This brings me to the "how" of the subject, and its discussion ought to show to any thinking man that the law in its present shape, as interpreted by the Courts, is unjust, for a municipality in the purchase of a Water Works is not permitted when issuing bonds therefore to put in the value of the Water Works as an asset. In other words, it acquires title to property worth the amount agreed upon, either amicably or as fixed by condemnation proceedings, pays the price therefor and is poorer to the extent of the price paid after it is supposed to get value received for its money. In the possession of a private corporation, the plant may be worth $200,000.00, in the possession of a municipality, the same plant is not an asset, but the price paid therefor is a debt and is so considered when an attempt is made later to increase the bonded indebtedness for this or other purposes. In this paper, I am not at liberty to discuss how we may overcome this position. Other municipalities, in the purchase of water plants, have issued bonds to the full extent allowed by law, and have paid the balance of the purchase price in cash. This may afford a way of escape. Another way by which a sufficient amount may be raised is to increase the assessed value of the taxable property within the Borough. An inspection of the present assessment lists will convince one that many owners are not paying their just or proportionate share of taxes, the reason being that their

properties are assessed out of all proportion to other properties of appoximately the same value, in the same locality. If the present assessed valuation of the Borough of Warren could be increased one-half, it is quite possible that the Borough might be bonded for an amount sufficient to purchase the present Water Works. I now come to the last subdivision of my topic, namely, the advantages of municipal ownership.

I again quote from Mr. Baker as follows: "There seems to be no reason why an honest and competent city government cannot build and operate its works as cheaply as a company. If it can, then the profit all the companies expect to make should go to the consumers, besides which the other advantages of municipal ownership remain in its favor. If it is urged that city governments are dishonest and incompetent, then I reply that people must pay the penalty under private ownership as well as public. What benefit is it to the water consumers if a company can operate works at less expense than the city, so long as the difference goes into the treasury of the company instead of resulting in lower rates? Dishonest city governments are not going to force a reduction of the rates of private companies, if indeed they could; instead, they will take a part of the profits in return for allowing the rates to remain at the topmost notch."

If the Borough of Warren should purchase the water works, it might be a good business practice to keep the rates at about the same level as now charged by the private corporation until such time as the debt incurred in its purchase is liquidated, then the rates should be lowered to such a basis as to raise only sufficient funds for maintenance, extensions and repairs. Our course ought to be based largely upon the experience of surrounding towns and cities of about the same size as Warren. The Mayor of Meadville advises me as follows on the question of the management of their water works. He says, "Approximately, our gross receipts are $34,000.00, $10,000.00 for expenses and $14,000.00 net revenue, from which amount we take $7,000.00 annually and place in the sinking fund. The rates charged consumers are the same now as under privately owned water works." Three years ago Jamestown, N. Y., purchased its water works for $600,000.00. They have reduced their water rates to consumers to the extent of about 25 per cent. below the rate charged by the private company. The following, I am advised, is a showing for the year 1905.

Gross receipts	$80,000.00	
Operating expenses		$21,000.00
Extensions		15,000.00
Sinking fund for redemption of bonds		15,000.00
Interest on bonds		23,000.00
Total		$74,000.00
Balance on hand		6,000.00
		$80,000.00

"Regulation of Railroad Rate--Is It Possible, or Government Ownership?"

E. W. Kreible, Esq.

The rebates, granted to the Standard Oil Company, were one of the greatest causes of the present railroad rate bill. Today, the granting of a rebate is punishable with fine and imprisonment (Act of June 29, 1906). There is no question either of the power of the government to forbid rebates or of the wisdom of such action. The great danger in the future is not a direct rebate but improper classificaion, working the same results.

The other principal objection to the railroad rates were, first, that they netted the railroads too large a return, and, second, that they were unjust to certain localities. For these ills, a variety of cures have been advocated. The government ownership and the rate regulation are the two heads under which these ideas group themselves.

The government ownership advocate has two very strong arguments. First, it is a fact that many railroads built at an outlay of $250,000 are worth double that amount because of the increase of population and increased traffic. There has not been any attempt to reduce the rates as the business increased, with the idea of reaping only a fair return. This increased value is not the result of the railroad owner's industry—it is the result of other people coming to that section; it is an unearned increment. If the government had owned this property the rate would have been reduced after the cost of operation and the payment of fixed charges had been met. In the second place, he points to the useless waste of capitol in running parallel lines where there is an existing road. Today, the excuse is that competition is the only method of reducing rates. But the section must now pay the cost of running two roads, while it would have been very much cheaper to erect a few more tracks than to construct an entire new road. With the government as owner, the rates would always be as low as conditions permitted and there would be no use of a competing road. The advocate of rate regulation contends that the same ends can be accomplished by rate regulation—a commission can limit the amount to be charged—the rates will then always be reasonable.

Let us look at the railroad earnings in the United States for the year 1905. They are briefly as follows:

Net Earnings from Transportation in Round Numbers	$787,500,000
Income from Other Sources	132,600,000
Total Net Earnings	$920,100,000
Interest, Rents, Betterments, Taxes, Miscellaneous	590,300,000
	$329,800,000
Dividends	229,400,000
Surplus	$100,400,000

If we make the conservative estimate of $200,000,000 as the amount spent for permanent improvements, we have the sum of $529,835,305 as the clear profits for the year. This capitalized on a 5 per cent basis represents a principal of $10,596,706,100 or a capitalization of $48,100 per mile. The actual capitalization of our railroads is $14,000,000,000 or $63,500 per mile. The mileage of the roads in America is 220,028 miles. It is therefore evident that the railroads are reaping very large returns. On the question whether the railroads are not entitled to any profit they may fairly make, I would quote the United States Supreme Court in the case of Smyth vs. Ames, 169 U. S. 466. They said "what the company is entitled to ask is a fair return upon the value of that which it employs for the public convenience."

The Act of June 29, 1906 makes it clear that the Interstate Commerce Commission shall have power not only to declare a rate too high, but to fix a maximum rate (4). They therefore have the power to make provision against too great returns to the companies. Of course, the rates prescribed by the commission are subject to review by the federal courts. On this point Congress had to decide whether the rate fixed by the Commission should be binding at once upon the carrier or whether he could have it stayed, pending an appeal. This really was one of the great objections to the Act of 1887. There were so many delays in a change of rate on account of appeals to the court. On the other hand, to subject the carrier to the danger of loss if a rate prescribed by the Commission were too low, was also unjust. The law was finally made to read: "All orders of the Commission, except orders for the payment of money, shall take effect within such reasonable time, not less than thirty days, and shall continue in force for such period of time, not exceeding two years, as shall be prescribed in the order of the Commission, unless the same shall be suspended or modified or set aside by the Commission or be suspended or set aside by a court of competent jurisdiction" (4) Act of June 29, 1906. This was a victory for the railroads. However, the Cimmission appears to have all the powers necessary for the proper reduction of unjustifiably high rate.

The new Commission will find very little work to do at the so-called great competitive points. The rates at these places are not fixed by the arbitrary will of the carrier, but by the rate made by his competitor, whether another

railway or a water line. There has never been any complaint that the rates to the great centres like Chicago, New York and San Francisco were so high that they were making too much profit for the company—the complaint has been made by the nearby points that their rates should be made correspondingly low. There is nothing in the Act of 1906 that prevents a railway from making a rate as low as it pleases; the Commission can only prevent a rate from being too high. As an illustration of the factor that fixes the rates at such points, consider the rate on wheat over the Illinois Central from Illinois to the Gulf. There are two factors, the steamboats on the Mississippi and the railway lines running to the Atlantic seaboard. The Illinois Central must either meet their rates or quit and haul a lot of empty cars in one direction.

This competition at points like New Orleans, Chicago, New York and San Francisco has resulted in the great freight rate wars. These have ended in the Joint Traffic Associations. Prof. Meyer says: "for the purpose of regulating the east-bound traffic in agricultural products and the west-bound traffic is merchandise and manufactures, the territory of the United States has been divided into four parts, and the railways of each of these parts have been brought together in traffic associations. The latter apportion the competitive traffic among the several competing railways and trading centres." When a new railroad is built and stands ready to compete, it is assigned a certain proportion of the traffic. While these Traffic Associations are contrary to our ideas of free competition, they are considered a necessity and are left unmolested.

These methods apply in the matter of carrying the wheat. The Great Lake steamers compel the railroads to give a certain rate or do no business. That the railroads have the right to meet this competition, whether of a competing railway or a steamboat line, has been decided by the United States Supreme Court in Interstate Commerce Commission vs. Alabama Midland Railway 168 U. S. in which they said: "We do not discuss the third and fourth contentions of the counsel for the appellant further than to say that within the limits of the exercise of intelligent good faith in the conduct of their business, and subject to the two leading prohibitions that their charge shall not be unjust or unreasonable, and that they shall not unjustly discriminate so as to give undue preference or disadvantage to traffic or persons similarly circumstanced, the Act to Regulate Commerce (1887) leaves Common carriers, as they were at common law, free to make special rates looking to the increase of their business, to classify their traffic, to adjust and apportion their rates, so as to meet the necessities of commerce and of their own situation and relation to it, and generally to manage their important interests upon the same principles which are regarded as sound, and adopted in other trades and pursuits. The carriers are better qualified to adjust such matters than any court or board of public administration, and, within the limits suggested, it is safe and wise to leave to their managers the adjusting of dissimilar circumstances and conditions to their business." —

A government cannot make rates upon the basis of such considerations.

Mr. von Miquel, the Prussian Minister of Finance in 1894 said that rates made in that manner were arbitrary and exposed the Government to the suspicion and to the open charge of favoring one district or trade and handicapping another. It is clear that Congress did not intend to interfere with the railroads in the matter of meeting competition. In the first place, the Supreme Court decisions were before them. Even that most ardent advocate of the rate bill, Senator Nelson of Minnesota, admitted to Senator Lodge that there was nothing in the bill that provided for a mileage rate.

This brings us to the field where the commission will find scope for its powers—the rates to non-competitive points. The great competitive points like New York and Chicago need no freight regulation; but the small town with but one road is very often charged the highest rate that the shippers will bear without leaving that locality and operating elsewhere. Here is where the dividends upon watered stock are earned. To meet these unjust charges will be the proper work of the commission. The truth however remains that they cannot get equally favorable rates as the shipper at Chicago or New Orleans and from this fact arises their chief source of complaint. They are not worrying so much about the profits of the railroads; they are dissatisfied because their neighbor gets a better freight rate. Their great grievance is local discrimination. Many of them demand a rate based purely upon the cost of carrying the specific articles of freight. In the speeches of Senator Overman and Senator Heyward, you catch this idea. The logical outcome of this idea is the mileage rate. Charge of so much per ton for each mile the article is carried. At first blush, this seems a perfectly equitable and proper method. Is it, however, a wise policy? We think not.

In illustration, let us cite the case of the wheat industry in the United States. We all know the very low rate prevailing on the wheat from Dakota. We also know that this low rate must be given or the Dakota farmer cannot compete in the Liverpool market. The moment the rate is so high that the farmer cannot profitably raise wheat and sell it in the world's markets, he turns his farm to corn or some other product. On the contrary, under the stimulus of low rates, he puts more acres in wheat. In the years 1893-96, the average annual export of wheat was 145,000,000 bushels, from '97-1900, it was 210,000,000. During the latter period the rate upon wheat was exceptionally low. Suppose a Pennsylvania farmer, 100 miles from New York demands a rate 1-15 that of the rate from Dakota. Of course there is no profit possible in such a rate. If they were compelled to adopt the mileage rate, they must raise the rate on the western grain. Would this benefit the Eastern farmer? No. The slight increase in the western rate would lose the entire through business to that line. The wheat would travel down the Mississippi, across the Great Lakes, down the St. Lawrence and the Erie Canal. Large areas would be withdrawn altogether from cultivation. This trade at present brings a considerable profit to the railroads because, despite the narrow margin of profit, there are tremendous shipments. With this source of profit lost, the tendency would be to raise the rate to the eastern farmer to pay interest upon the invested capital.

Let us compare the rapid opening of the western wheat lands with Siberia, likewise an ideal spot for this crop. In Siberia the acreage of a farm averaged in 1891 from 13 to 22 acres; in the United States it was over 100. But the Siberian wheat is shut out of the port where Russian wheat is exported. It costs $2.00 more per ton to export to London from the ice-bound ports from which they ship. This is exactly what would have happened in this country if the Eastern farmer could have had his way. The western wheat would have been shut out of the Eastern markets, except such as could have been raised along the rivers, and the cost of living to the Eastern laboring man would have been increased.

This rapid development of the west would never have taken place under government ownership. The terrible shrinkage in the values of Eastern farms would have been such a problem that there could have been no favored rates to western grain. Prof. Meyer says the total value of the farm lands, with buildings and improvements in the states of New York, Pennsylvania and Ohio, fell from $3,159,000,000 in 1880 to $2,823,000,000 in 1900, a loss of $336,000,000. In Germany, the Government has had the same trouble to meet. They tried to give favorable rates on wheat raised at a distance, but were forced to discontinue the practice. They have solved it by the mileage rate on domestic wheat, an import duty on foreign wheat and a bounty on wheat exported—the laboring man footing the bill. The same thing would exist in America today, with a government ownership. The Eastern farmers would defeat any administration that dared to let the Western farmer compete in the eastern field.

On the other hand, see how the present system in America has worked out Grain and flour are transported so reasonably to the East that food is as cheap in Boston as in Minneapolis—the manufactured products are carried out in the cars that come East loaded with grain, at a correspondingly low rate. The East is the great manufacturing section, the West is the agricultural section. The volume of trade is so large and the rates are so low that the waterway is no longer the great avenue of commerce. The railroad is cheaper as well as quicker. But if there were not this balancing of manufactures and grain, we could not ship these long distances at these low rates.

You may say, what is the benefit of having the manufactures in the East and the great farms in the West? The great factories should be near the great food supply. There is one great fact that this argument overlooks—it is the concrete example of New England. A section that is poor agriculturally, is rich because of its great factories. It has water power but very little raw materials. Its cotton comes from Alabama, its wool from Montana. This can only be done profitably with a special railroad rate. The rate on cotton from Memphis to Boston is 55½ cents per cwt., from Memphis to New York it is 57½ cents and from Memphis to towns in the Carolinas, it is 59½ cents. This 55½ cent Boston rate applies to any point east of N. Adams, Mass. Put the mileage rate into effect and New England cannot complete with the South and the millions of dollars invested in mills will be thrown away. It would be a different

question were the money not already invested, but it is and it would be an economic waste to let them stand idle.

But there is another point. Let the mileage rate apply and the cotton growers surrounding an inland mill can combine and set a figure on their cotton exactly equal to the market price at the nearest market plus the freight rate. Today, the manufacturer is not dependent upon a few producers, he has the whole South to choose from. Turn to Germany for a concrete example. The great iron manufacturers along the Rhine, at Duisburg, Essen and the other towns in what is known as the Ruhr district are at the mercy of the ore producers in that section. There are rich beds of ore along the Saar River in Alsace, Lorraine, but the railroads cannot offer any special rates. As a consequence, the price to the iron worker is just low enough to keep the Saar iron out of the market; yet the railroads could afford to carry at a lower rate and the Saar miners would be glad to sell for less. With railroads competing for business the price of ore would be less and they could sell more in the markets of the world.

We have another illustration of the effects of a mileage rate, right in our country. Iowa has adopted it. We all know that Iowa is a state rich in coal, yet the coal carrying roads give a better rate from Illinois points to Iowa points than they dare give under the Iowa mileage rate to two points within the state. The distance from Avery, Ia., to Burlington, Ia., is 93 miles and the rate is 97 cents per ton and the distance from Peoria, Ill., to Burlington is 96 miles and the rate is 85 cents per ton. So the Iowa factories buy from Illinois and the Iowa mines are undeveloped. Likewise, if the whole country adopted the mileage rate, the water carrier could cut away under the railroad and coal lands lying 100 miles away inland would lie undeveloped while the boats brought coal from mines a thousand miles away. The competition between the railroad and the steamship gives the interior an equal chance with the point on the water.

Some friends of the mileage system concede that reduction in rates should be allowed to meet water competition but inland, where this does not exist, the roads should be compelled to base rates upon distance. That is, a transcontinental rate from New York to Seattle may be made as low as the rate around Cape Horn by water, but the rate from New York to Atlanta should not be less than to a point 100 miles north of Atlanta. The railroads have picked out certain favored places and given them a rate better than points at a shorter distance. Take the case of the Atlanta rate; if a dealer 100 miles north of Atlanta desires to buy goods direct from New York, he must pay the rate from New York to Atlanta plus the local rate from Atlanta to his home town. There is a reason for this. The railroads have found it to their advantage to have what are called "basing points." At certain seasons of the year the great jobbers come to New York, Philadelphia and Boston and buy carloads of goods. A trainload goes to one point. It is economical. The cars that take down the merchandise bring back the cotton. Take the system where no point is favored with a special rate. The merchants in a small town north of Atlanta can get a better rate on a carload lot than the jobber in Atlanta. They will not buy from the jobber at Atlanta because it is cheaper to buy direct from New York.

After that, the railroad carries one carload to Sand Creek, one to Podunk Centre at all times of the year. After the cars are on the siding for a half a week they are carried empty to Atlanta to receive the cotton.

But it is not alone the railroads that gain by the basing point system. Withdraw it and the interior manufacturing and mercantile centres like Atlanta, Nashville and Montgomery will dwindle. The people will buy direct from the great waterport centres. They have the mileage system in Australia and the business is done in three great cities—Melbourne, Sidney and Adelaide; back of them you find one vast extent of small towns and ranches. As to the effect on the size of a trainload, it is shown that the average trainload in Australia is from 60 to 70 tons; on our railroads, one coal car carries 50 tons. A Penn. R. R. freight engine weighs 120 tons and has a hauling capacity of from 2,450 to 2,800 tons. As to its effect on a country, one of Australia's leading statesmen said that the constant tendency toward centralization of population was the curse of the country. With the basing point system you have centres scattered over the interior and along the rivers—each basing point a metropolis.

There is one effect that always follows upon the introduction of the mileage rate—the springing up of the canal into renewed life. But isn't water traffic more economical? Very little, on long distance hauls. A noted German expert, Mr. von Borvies, concluded that the actual cash outlay, including maintenance and renewal of rolling stock, involved in handling long distance traffic in 400 ton train loads was 0.119 cent per ton mile. An expert on the matter of water traffic has estimated that the cost of moving freight by 600 ton canal boats for a long distance was 0.104 cent per ton mile. Both these estimates apply to Germany. The mileage rate will take away from the railroads the chance to compete on the long distance freight—they will have the short and expensive hauls for which they must charge a higher rate than they ever did before.

Germany has seen the growth of the canal and the decay of the railroad. The cities on the rivers such as Hamburg and Mannheim are growing like weeds, while the cities dependent on the railroad are dying. The system of government ownership and the mileage rate was introduced to prevent centralization—it has helped it. Today, everybody wants a canal and canals are being built while railroads are standing idle. This has resulted in the bitterest of political fights—the town on a river fights the entrance of any new rival. This would be the fate of the interior towns in the United States—all the trading would be done with the water points such as New Orleans, St. Louis, Cleveland, New York and Boston. The neighbor of Atlanta that envies her greatness, would be worse off after the mileage rate went into effect, than ever she was before.

It is true, the Interstate Commerce Act forbides undue preference to any locality, but the decision as to what is an undue preference has remained with the courts. Likewise, the Act forbids the charging of more for a short haul than for a long haul over the same road under substantially similar circumstances; but the court must decide what are "substantially similar circumstances." The fact remains that our Supreme Court, as they stated in the case of Interstate

Commerce Commission vs. Alabama Midland R. R. (above quoted), has decided to leave these matters pretty largely to the railroads.

But what will be the result if the railroads all pass into one grand combine? How will competitive points then get good rates? First water competition. Second, the knowledge of the railroad that a high rate prevents the increase of shipping in that commodity. The railways get a big profit in the aggregate, from the export of wheat. This would cease entirely, if their rates kept the producer from meeting the price of Argentine, India and Egypt in the Liverpool market. The railroad magnate is not a dictator—he has to let the grower meet foreign competition or there are no trainloads of wheat. Here, as everywhere else, there is a power beyond him.

Finally to sum up, personal rebates are wrong; they are forbidden under penalty of fine and imprisonment. The railroads are public servants and are entitled to no more than a fair return upon the capital invested. Today they are getting more. Government ownership prevents this, but such stiff and rigid rates result—in fact the mileage rate is the only practicable method—that it means death to the railways and recourse to the antiquated canal. Government regulation of rates can effect this. The commissioners can let the present lower rates to competitive points remain. They can force a reduction of profits by a lowering of rates to non-competitive points. The present rate bill embraces these good points and if properly enforced, will be a good working law for years to come.

"What Can We Do to Make Bank Deposits Safe?"

A. G. Eldred, Esq.

The question of how to make bank deposits safe can be approached from two points of view:—the prevention of losses and reimbursement for losses. Prevention is the point that is taken today and it is the basis upon which all previous laws on this subject have been framed. It has proven only a partial success, because prevention can come about only by restricting the operation of officers of the bank, and this is a disadvantage to the conservative banker and apparently of little hindrance to the non-conservative banker. Some restrictions are, of course, necessary. Examinations should be frequent and thorough and investment in certain lines of property and securities forbidden, but the restrictions should be those that long experience has found necessary to keep the conservative as well as the non-conservative banker in the paths of safe banking.

During the last few years, we have had a number of very conspicuous failures of the old law either where an officer by manipulations covering a long series of years, had successfully concealed irregularities from all the officers, who relied implicitly upon his honesty; or where in a few days, the bank was looted by the president under what was deemed a careful system of oversight and inspection. No law, I venture to say, can be so framed as to prevent a person, whether he be bank officer or not, from misapplying money in his hands and the money in a bank's vault, must, in the last analysis of the question, be in the absolute control of some individual.

Laws heretofore framed have been framed from the standpoint of stockholders rather than from the standpoint of depositors, this seems wrong. The entire loss should be on the stockholders for there it belongs and there it would be today had experience not shown that if it were there, no one would take the stock.

The whole trend of modern business is to put the control of an aggregate amount of capital in the hands of a few men and give those men an almost absolute control over it. The contributors put their money in, relying upon the in-

tegrity, the honesty and the business judgment of the officers, and secure in the fact, that if this confidence is misplaced only the money advanced is lost. Banking laws, to be sure, go a little beyond this, and make the stockholders liable not only for the money already advanced but also for an additional amount, a certain per cent. of the amount originally contributed. But stockholders as a rule are not the real sufferers of a bank's failure, and this for two reasons: first, because they are people with more or less means, and while the failure means to them a loss, it does not mean a suffering; secondly, they are generally men in touch with business conditions and generally have inside information as to the bank's condition.

The class of people who really suffer by a bank's failure, is the small depositor class; people who have, by rigid economy and saving, amassed a few hundred dollars out of their day's wages and who are depending upon these few savings to keep them in their old age; and any law tending toward prevention of loss by the failure of the bank, can only lessen the chance of their losing, it cannot eliminate it.

It seems, therefore, to me that we must turn to the other side of the question, the reimbursement, and work out some theory by which, when a bank fails, the depositor can be reimbursed for what loss the failure brings upon him, and promptly reimbursed.

Before going farther, it would, perhaps, be well to explain what I mean by depositor. I should define it something like this: A depositor is a person or a corporation who deposits money with a bank in interest accounts or for the purpose of safety or convenience. This would exclude obligations incurred by the bank as an endorser or as a borrower, or debts contracted by it as a going business corporation. For these obligations and debts, it should stand upon the basis that any corporation stands upon, namely; the faith of its business associates in its ability to pay its debts. Therefore, let it be understood that when I used the word depositor, I mean the depositor as defined by the foregoing definition.

Before attempting the solution of the question, we must first find out just what obligations will have to be met by any system of reimbursement.

There has been, in the five years from Nov. 1, 1899 to Oct. 31, 1904, fifty-one failures of National Banks distributed as follows:

Year ending October 31, 1900	6
Year ending October 31, 1901	11
Year ending October 31, 1902	2
Year ending October 31, 1903	12
Year ending October 31, 1904	20
Total	51

Twenty-two of the 51 have paid their obligations in full; four of the twenty-two have been restored to solvency and have continued to carry on their bus-

iness. The per cent, on claims proved paid by insolvent banks is as follows:

Banks paying 100 per cent, 22; four restored to solvency.
Banks paying 90-100 per cent. 8.
Banks paying 80-90 per cent. 2.
Banks paying 70-80 per cent. 7.
Banks paying 60-70 per cent. 1.
Banks paying 50-60 per cent. 2.
Banks paying 40-50 per cent. 3.
Banks paying 30-40 per cent. 2.
Banks paying 20-30 per cent. 3.
Total—50.

Of the 28 banks that failed and paid less than 100 per cent. of their claims, 12 have been wound up and receivers discharged. The loss of those 12 banks has been $358,332 which is about 18 per cent. of the total aggregate of the proven claims.

Claims proved.	Dividends paid.
$ 200,000	$ 152,546
318,501	307,352
119,618	85,125
122,403	75,971
160,995	123,715
217,294	213,074
259,098	250,181
301,224	259,086
119,216	48,271
89,869	88,204
61,088	60,231
75,191	22,409
Total $2,044,497	Total $1,686,165
Total loss	.. 358,332

Amount paid on claims proved 82 per cent.

Or shown in another way:

	Failed	Wound up	Lost
Nov. 1, 1899—Oct. 31, 1900	6	4	$ 58,603
Nov. 1, 1900—Oct. 31, 1901	11	5	118,205
Nov. 1, 1901—Oct. 31, 1902	2	2	4,220
Nov. 1, 1902—Oct. 31, 1903	12	7	122,000
Nov. 1, 1903—Oct. 31, 1904	20	7	55,304
Total	51	25	$358,332

It will be seen, therefore, that the actual loss from the failure of banks is surprisingly small. The loss does not include the loss of the interest but merely the loss on the amount deposited, and on the other, debts and obligations of the bank. As these 12 banks represent a little less than one-half of the total number of banks that have failed and have paid less than 100 per cent. on their

claims, the actual loss would, on this basis, be about two times $358,332 or roughly, $750,000. Under the definition of depositor as given before, provision need not be made to meet all of this loss as it includes not only the claims of the depositors but the general indebtedness of the bank.

Reimbursement must naturally take the form of insurance of some kind. There will be presented to Congress, this year, a bill upon this very point. It is a bill which is fathered by Mr. Ellis of the Second National Bank of Erie. This bill applies only to National banks. It provides, in brief, that there be assessed upon every National bank, a certain sum of money, on the following basis: on every National bank having a subscribed capital of not more than $100,000, the sum of $100; on those having a subscribed capital exceeding $100,000, but not exceeding $500,000, $150; on those having a subscribed capital exceeding $500,000, but not exceeding $1,000,000, $200; and on those having a subscribed capital exceeding $1,000,000, $250. There are today 6,225 National banks divided on this classification, as follows:

Banks Today Classified As To Capital.

Less than $100,000, 4,997—per cent. of total number 80.27.

Less than $100,000 to $500,000, 1,000—per cent. of total number 14.60 (estimated.)

Less than $500,000 to $1,000,000, 164—per cent. of total number 4.10 (estimated.)

Over $1,000,000 64—per cent. of total number 1.03.

Total 6225—per cent. of total number 100.00.

Upon this basis, there would be paid, today, the following amounts: From 4,997 banks at $100, $499,700; from 1,000 banks at $150, $150,000; from 164 banks at $200, $32,800; from 64 banks at $250, $16,000,—a total of $698,500; this amount is to be taxed annually against the banks until there has been accumulated $6,000,000, when the assessments are to cease; and are to be begun again when the fund shall have fallen to $5,000,000. The treasurer, in charge of this fund, shall call from the receivers of the banks for statement of the amount owing to depositors and shall pay them, within a period of two years, the full amount due them if there is at that time, enough funds to meet the claims; if not, the claims are to be paid as soon as possible from the fund. This, it seems to me, would be an effectual safe-guard to depositors in the banks that came under its operation. It would produce each year, assuming that the number of banks remain as it is today, a total of $698,500 per year or more than $3,500,000 in five years; whereas the loss during five years has been about $750,000. There would, to be sure, be times when the income from this fund would run behind the losses of banks, but these times are of rare occurrence and are apt to happen less and less as banking becomes more scientific and upon a more stable basis; and the loss, as here given, includes all losses of the bank, the depositors and creditors; and the income does not include the interest upon money accumulated. It will be noticed that the proposed law does not change the system by which, today, the affairs of insolvent banks are managed. It merely requires the Comptroller of

the Currency, in his discretion, within two years to pay the entire amount due depositors, which the receiver is unable to pay.

The objections to this law, aside from the objections that might be made by stockholders in a bank on the ground that the law would not benefit them, but is entirely in the interest of the depositors, fall into two classes; first, the bank officers might say, "We run our bank upon a conservative basis, and we do not feel that we should be called upon to pay the losses incurred by some non-conservative banker;" and secondly, that the assessments made are based upon a division unfair to the smaller banks. In reply to the first, it might be said that it is pretty hard to tell just who is a conservative banker until the bank has closed its doors, and the receiver has tabulated the available assets. All bank failures come as a surprise to a large proportion of the depositors, and some failures come as a surprise to those best acquainted with the bank's affairs.

And further, it would not seem that under this bill, reckless and injudicious management would be encouraged for the reason that their deposits are secure. The bill does not release from liability anyone who is now liable for assessment to meet losses. Stockholders must lose their dividends under it as they do now; a receiver must be appointed and the stockholders still lose not only their original stock, but are required to pay the assessment of 100 per cent. before this fund can be drawn upon for the payment of any amount due depositors.

The second objection is one that, on its face, seems more reasonable, but a glance at the statistics of the bank failures, show that the losses are generally due to the failure of the smaller banks. The 51 failures from Nov. 1, 1899 to Oct. 31, 1904, are divided thus:

Capital of Failed Banks.

Having $100,000 or less	38
Having $500.000 to $100,000	11
Having $1,000,000 to $500,000	2
More than $1,000,000	0
Total	51

It will be seen from this that 74 per cent. of the failures are in banks having $100,000 capital or less; 22 per cent. haivng $500,000 to $100,000 capital, and four per cent. having $500,000 to $1,000,000 capital. No bank with a capital of more than a million dollars, has failed in that time; and of the two largest failures in the $500,000 to one million dollars class; the Globe National Bank of Boston, having a capital of one million dollars, paid 100 per cent. of its claims and the Federal National Bank of Pittsburg, of the same capitalization, was restored to solvency.

If the tax is put upon a basis of the percentage of depositors, it is manifestly unfair to the larger banks, as can be shown by the act which is now being agitated in Kansas; this act provides for a tax of 1-10 of 1 per cent. per annum on the first $100,000 of deposits and 1-20 of 1 per cent. of all deposits

above that amount. The minimum assessment to be $100. Under this law, the National bank of Commerce of St. Louis, Missouri, with its 50 millions of depositors, would pay annually, $25,000; whereas, under the bill of Mr. Ellis, they would pay $250. The National Bank of Commerce is less liable to fail, because of its connections with the banking system of St. Louis, than is a smaller bank, having a capital of $25,000 or $50,000 in some town where there is no other bank.

Under the present system of winding up the affairs of a bank, payment of the dividends is often a question of a long number of years; this, to the small depositor, is a great suffering in itself. The affairs of a bank are seldom wound up under five years, and in many of them, the receivership drags along for ten or fifteen. Under the proposed bill, the Comptroller of the Currency is required to pay the losses within two years provided, of course, that there is enough money in the fund to pay them; this provides, as may be seen, for a very prompt settlement of the accounts; it does not, however, mean that anyone owing the bank or anyone liable for assessments to the bank are released from the payment of their obligations. The receiver of the bank goes on just as he does now, in collecting in the assets and converting them into money. But instead of making a dividend payable to the depositor in the bank, the dividend to which they would be entitled is paid to the Comptroller of the Currency and by him placed in this fund.

The proposed bill, however, might well be extended to cover any bank wishing to come under its provisions. If a section were added which allowed a State Bank, organized under laws which were acceptable to the Comptroller of the Currency, to become a participator in the insurance that this bill gives to the National bank; it would, I think, soon cover nearly every bank in operation, State and National. A State bank would find it rather difficult to compete with a National bank when the depositors in the National bank were secured in their deposits ;and the Bankers' Associations would soon demand from the Legislature of their States that the State laws be framed to meet the requirements of the Comptrollers, so that they could share in the insurance.

At first sight, the bill seems so simple that the feeling is, it could not be a success; but statistics show that it would be a success except in periods of very marked depressions. If the fund had been started in the year 1890, for instance, the income would have run far behind the losses of the National banks, and at the end of the five years, this fund would have owed the National banks nearly fifteen millions of dollars. It would have taken a long time to have ever made this up, but the number of National banks has increased so rapidly in the last fifteen years, there having been organized since the Act of March 14, 1900, down to October 31st, 1906, 2062 banks, and the number of banks has grown 3244 banks in 1890 to 5685 banks on March 1st, 1906.

If this fund had been started in 1899, it would have nearly reached the six millions by this time, and this, as additional security, would be behind the depositor in National banks today. It would seem, therefore, that a law of this

kind, a simple and concise enactment, that met not only the theory but that would have been successful if applied to the National banks in the last five or ten years, would be a law that should have the backing of the banker as well as the depositor, and with the suggested addition of covering State banks as well as National, would prove a solution of the question of securing bank deposits; it would do away, in the first place, with runs upon banks and it would save, thereby, many solvent institutions from passing into the hands of a receiver. For it would be but a short time until everyone became acquainted with the law's provisions; and the small depositor would feel that he had behind, the credit of his local institution, a guaranty that would protect him.

"The Benefit and Maintenance of Our Hospital."

Dr. J. R. Durham

The Warren Emergency Hospital recently completed the ninth year of its work in our community. A history of this work has been recorded in annual reports, and these are used as a basis in presenting the main facts related in this paper.

The history of the Warren Emergency Hospital naturally divides into two periods, with a brief introduction. The first period being from its incorporation —March, 1898, to December, 1900. The second period being from December, 1900, the beginning of the work in the present building, to the close of the year just passed.

Introductory to the first period, we note that in February, 1895, the Society of Christian Workers was organized by ladies representing the different churches of Warren. Their work passed through various changes, but by their efforts, it became more and more apparent that some place was needed in our community where cases of sickness, accidents and operations might receive prompt attention.

With limited means, but great faith, and the encouragement of friends and physicians, these ladies ventured upon the experiment of conducting a small hospital, and of proving not only the need, but the benefits, of such an institution in our town. From this small beginning grew the Emergency Hospital as it is today.

First Period.

The work of the Warren Emergency Hospital properly begins with April, 1898, when a Charter was secured and the sign, "Warren Emergency Hospital" was raised above the door of a small dwelling on North Liberty street.

Expenses were much greater than in the former, chairitable work done by the Society, which had been largely sustained by gifts and private subscriptions. Considerable charity work continued to be done in the Hospital, and the income received from pay patients was by no means sufficient to carry on the work.

Without the support of generous friends and physicians, the experiment would have been a failure.

Seventy-seven patients were cared for during the first ten months, and the fact that a hospital was needed had been clearly established.

In June, 1899, the first State appropriation, $2,000, for two years was secured, and the financial problems were more easily solved thereafter.

The experiment had proven a success. The need of a hospital had been demonstrated. Generous friends became interested in the work accomplished by the ladies with such limited means and accommodations, and were impressed with the need of a properly planned and equipped building for hospital purposes.

About forty-two thousand dollars was raised by subscriptions ranging from $10,000 to $500, and during 1900, the present building as erected as a permanent home for the hospital, at a cost of about $41,500 for grounds, building and equipment; and in 1901 was turned over to the Warren Emergency Hospital.

Although only partially equipped and not entirely finished, the work of moving from the old quarters was accomplished on Dec. 24th, and Christmas, 1900, was the first day spent in the new hospital.

During the 22 months of this first period, 150 patients were cared for,—receiving 2652 days' care, about one-third of which was charity.

Second Period.

With the opening of the new building began a new era in hospital work.

There have been few changes in the hospital management, and with very rare exceptions, the work has progressed harmoniously.

The value of the hospital property as it stands today, may safely be estimated at $55,000. Of this amount, the citizens of Warren and outside subscribers have contributed $52,000, and the State, by appropriation for a contagious cottage, $3,000.

During 1903, an adjustment was made with representatives of the Estate of George W. Sill, by which the hospital received in full settlement of its claim as residuary legatee under Mr. Sill's will, the sum of $72,500. By the terms of settlement, $60,000 is designated the "George W. Sill Memorial Fund," the income alone to be used as follows:—First, for the payment at the end of each year of any indebtedness that may have accumulated. Second, for the improvement of buildings and grounds. Third, for the running expenses of the hospital.

The remaining $12,500 was placed in the control of the Board of Directors to be used to pay off any indebtedness outstanding at that date, and for the erection of additional buildings as needed.

With this outline of the history of the hospital before us, we may now more intelligently consider the subject of its maintenance and benefits.

Maintenance.

We will first take a rapid survey of the expense of maintenance and receipts for the six years of this second period.

Year.	Ex. of Maintenance	Receipts.	Excess.	Notes Outstanding
1901	$ 4665	$ 4179	$307	$ 383
1902	8527	7646	880	1050
1903	12787	12700	87	1500
1904	11388	11728	339*	1000
1905	10417	10215	202	1000
1906	11412	11230	181	500

*Excess of receipts over expenditures.

It can be seen from this table, that with one exception, expenses have always exceeded receipts, and it has been necessary to carry notes in order to promptly pay bills incurred each month.

Receipts available for maintenance are derived mainly from pay patients and State appropriation. Last year, in order to settle the accounts for the year, it was necessary to draw on the George W. Sill Fund to the amount of over a thousand dollars.

The amounts received from patients and State appropriations during the past six years are as follows:

Year.	Patients.	State.
1901	$2214	$1750
1902	2207	.4000
1903	5181	4125
1904	4757	4500
1905	6334	4625
1906	5450	5000

The receipts from the George W. Sill Fund have been used almost exclusively for the renovating and improving of the main building and grounds, although a small payment on the Contagious Cottage and on furnishing of the Nurses' Home was made from this fund. Without this fund it would have been impossible to maintain the hospital in its present fine condition and high standing, as it has enabled the Directors to use all the monies otherwise secured, for the maintenance of the hospital.

Benefits.

We need only to look at the records of patients during the past six years to be convinced of the need and benefits of the hospital.

The growth in the number of patients cared for is in proportion to the expenditures and out of proportion to the receipts, as there has been a steady increase in the amount of charity work.

Not to tire you with further yearly reports, I present a summary of a few items for the past six years.

Number of cases treated, 1590; cured, 980; improved, 331; unimproved, 56; died, 126; charity cases treated, 258; charity days care, 5,037; total days' care, 27,154.

In addition, there have been a large number of part charity patients receiving many days of part-charity care.

These figures alone should convince the most skeptical that Emergency Hospital is a benefit to our community. When, in addition, we think of the 49 accident cases brought to the hospital during the past year alone, of the many cases of sudden illness necessitating operations, and the advantages of the hospital to those whose homes are elsewhere—in boarding houses, or in homes lacking favorable accommodations, we are more strongly impressed with the conviction that Emergeucy Hospital has been of untold benefit to our community.

We wonder how we ever succeeded in getting along so many years without it, and Warren is to be congratulated on having so close at hand, and so readily accessible, an institution so well equipped and conducted.

Like all public institutions, Emergency Hospital has had its share of adverse criticism. The most persistent and unjust being in the mistaken idea that no charity work is done, and in regard to its maintenance.

It is utterly absurd to claim, as some mistaken people have, that it is a paying, private institution, for the enrichment of the Board of Directors.

Not one penny has ever been realized by any stockholder on his investment, nor is it ever expected.

The Hospital was incorporated with $5,000 Capital stock, at $5.00 a share, and has never been increased. The majority of the stock is held by the generous friends who erected the hospital building, and was issued to them, pro rata when the building was turned over to the Board of Directors. The shares of stock by no means equalling the amount of their subscriptions.

The ladies managing the affairs of the Hospital, in addition to purchasing one or more shares of stock, which is necessary to become eligible as Directors, have given of their time, effort and means to make the Hospital a success with no thought of compensation. The Secretary and the Treasurer's assistant alone receiving small salaries.

It seems hard also to convince the people that money is needed, on account, perhaps, of the large sum received from the late George W. Sill. As already stated, this fund is permanently invested, and the income available for specified purposes.

Let us consider, for a few moments, another phase of this maintenance question, using last year's report as our basis.

The average cost per patient per day to the Hospital was found to be $2.12 for the charity year.

The Hospital charge for private rooms is $15 a week or $2.25 a day, and $1.00 a day for the wards. It can be seen at once that the Hospital makes very little, if anything, even on its private room patients. Certainly every ward patient is, in a sense, part charity even though paying the regular ward rates, since the Hospital pays out for them fully double the amount received.

This average cost is high compared to some Hospitals. Several explanations might be given, it is sufficient to state here that our patients are getting the benefits of rates as low and lower than is obtained in most Hospitals. In other words, the patients receive much more than they pay for, receiving better care at lower cost than if they remained in their own homes., Little, if any, dis-

tinction is made in the treatment and supplies furnished to paying and to charity patients in the wards, and this is something rare in hospital management.

The statement is still frequently made, in spite of reports to the contrary published monthly, that no charity work is done at the Hospital. In addition to the figures already given along this line, your attention is called to the fact that during 1906, 69 charity and 190 part charity patients were cared for.

During the two years just passed, the cost to the Hospital of the charity work was over $13,000.00, and during that time the Hospital received $9,625.00 from the State, leaving over $3,300.00 to be provided for in other ways. This has been possible through private donations and the George W. Sill Fund.

Our County Commissioners are given a reduced rate for all patients sent to the Hospital by them, and they are counted by the Hospital as part-charity patients. No patient is ever refused admission and care because of inability to pay. The charity cases receive care, board, medicine, supplies, ambulance service when required, and attendance of physician—absolutely without charge; the physicians serving in turn as visiting physicians to charity patients. In view of these facts it is not strange that the Hospital management desires the County Commissioners to take as many of the poor cases as possible, and it seems no more than just that this should be done, since the Hospital is giving more in charity work on every case sent by them, than the amount received; and the benefits of the Hospital are extended throughout the county.

Nothing at all is received from our town, as in some places, for the maintenance of the Hospital, except in the line of private donations, which have always been generous.

Now for a few words in regard to the Contagious Cottage. This was built and furnished at a cost of about $5,000, of which $3,000 was paid by the State.

What shall we say of its maintenance and benefits?

The rate established by the Board of Directors—$15 a week guaranteed—seems prohibitive to poor people, the people who would be most benefitted by its use and the most desiorus of using it.

From the standpoint if the Hospital management, this price is far below the cost to them, since one patient would necessitate the heating of the building, quarantine of at least two nurses, and perhaps necessitate the hiring of extra help in the main building.

It seems unreasonable after realizing the expense of maintenance and amount of charity work done, to expect the Hospital management to build and maintain at big cost, a place having every convenience for the care of contagious cases, without being assured that the same proportion of the expense be secured as in other cases.

It would seem that here an opportunity for our Town Council and our County Commissioners to step to the front and guarantee the charges for all who are unable to pay them, and are thus deprived of better care than can be secured in their homes.

It would be a great benefit to physicians treating the cases, to the sick, to

their families and the entire community, and would partially compensate the Hospital management for their investment.

It has been said by one well versed in hospital management that

"A hospital is an institution, the main object of which is not the making of money nor the advancement of science, but rather the cure of the sick, the feeble, the injured. It aims to bring the benefits of the most advanced science, the most skillful nursing, the most favoring material and moral conditions to the relief of the suffering of all classes. It gives a well appointed temporary home to those whose homes lack the appliances favorablt to recovery, and it adds some appliances which the most luxurious homes cannot furnish. It is thus a public charity, a benefit to all in every class who may need its help. But it is an expensive charity—one of the most expensive known to modern civilization. Current expenses are seen to be heavy, the diet must be choice and often expensive, medicines and instruments must be the most effective known to the profession, the staff of nurses must be such that whenever, by day or night, any kind of service is required, it must always be at hand. In the minds of may person, a hospital implies unlimited resources which the Directors can dispense without stint. As a matter of fact, no institutions are more liable to financial straits, because the natural tendency of hospital directors is to extend to suffering humanity a larger charity than their means will permit."

The Warren Emergency Hospital is an illustration of the truth of this general statement.

In closing I wish to thank the Superintendent of Emergency Hospital for courtesies extended in the preparation of this paper and especially to the Secretary, Fannie M. Smith. whose grouping of facts is embodied in the above.

"What Part Should the Church Take in Social Reform?"

Rev. H. M. Conaway

The title of an able and interesting paper read a few years ago by Prof. Bowne, of Boston University, was: "The Moralization of Life and the Vitilization of Morals." In this thoughtful discussion the author pointed out these two facts of moral progress; (1) That men's conduct must be brought to conform to the moral ideas of the age. Even supposing that morality is stable, unchanging, men must be taught, encouraged, and induced to live in accordance to moral ideas; (2) that even our moral ideas must be vitalized, given new insight, new content, new power over will and thought. These two processes may go on simultaneously, more and more may conduct be conformed to accepted moral ideas and more and more may our moral ideas be renewed, vitalized and enobled. However, these two phases of moral progress may not coincide. One process may characterize one period of history, and the other another period. That is, there may be an epoch in history when society is striving to bring the masses to practice in their daily conduct well accepted convictions of duty, to give conscience with its present conception of right and wrong a controlling influence in society. Then there may dawn an epoch when men discuss the very fundamental principles of human conduct. They then seek to discover what is invalid and what is discordant with the present meaning of life, what new light has to reveal for the regulation of human relations. Such a time is an age of moral rennaissance, an era of ethical discovery in fundamentals, a time when new moral insight is given to men. The later sixteenth century was such a rennaissance period in moral ideals. A new conscience seemed to be stirred in men. Old practices hitherto tolerable were questioned, new conceptions were raised into authority over conduct. The closing decade of the eighteenth century and the earlier decades of the nineteenth century were marked by such discussion of the cardinal principles of moral life. Perhaps the causes of this eighteenth-nineteenth century rennaissance are discoverable in the new religious enthusiasm, in the new democratic idealism, in the new economic thought. These new accents and ideals set men to investigating the content of the social morality and to making quest for such moral ideals as would in-

corporate these new thoughts and feelings, and would give them authority over the conduct of the people.

If we are to heed the call of certain writers today who discuss social morality, we would conclude that we are now sorely in need of a moral regeneration, of a new discovery and recognition of the fundamentals of morals. In our newly gotten wealth, in our new organization and combination of capital and of labor, in our crowded and extended cities, in our expanded world commerce we have entered such new conditions that we are suffering from the want of a revision of our morality. To quote Prof. Ross; "The conclusion of the whole matter is this:—Our social organization has developed to a stage where the old righteousness is not enough. We need an annual supplement to the Decalogue. The growth of credit institutions, the spread of fiduciary relations, the enmeshing of industry in law, the interlacing of government and business, the multiplication of boards and inspectors,—beneficent as they all are, they invite to sin. What gateways they open to greed! What fresh parasites they let loose on us! How idle in our new situation to intone the old litanies! The reality of this close-knit life is not to be seen and touched; it must be thought. The sins it opens the door to are to be discerned by knitting the brows rather than opening the eyes. It takes imagination to see that bogus medical diploma, lying advertisement, and fake testimonial are death dealing instruments. It takes imagination to see that savings bank wrecker, loan shark and investment swindler in taking livelihoods take lives. It takes imagination to see that the business of debauching voters, fixing juries, seducing law-makers, and corrupting public servants is like sawing through the props of a crowded band-stand. We are in the organic phase, and the thickening perils that beset our path can be beheld only by the mind's eye." So says Dr. Ross. This may be excited language, intemperate in its alarm, and too bitter in its insinuations. The old Decalogue may be lofty enough to smite each of these abuses; but if we are not in need of a new moral code, we do need a more explicit application, and a more potent enforcement of moral concepts.

By this review of the history and method of moral transition we have wished to show that human society in its ethical relations is not stationary, fixed, unprogressive. In fact we are ever on the change. The process of change may be slow, moderate, or swift, but change we have. The student of social history has no difficulty to mark changes in industry, in commerce, in politics, in learning, in art, in ethics and in religion. Readjustment to new conditions and new surroundings must be made. Society, therefore, must adjust itself to these changes, and bring to exist between its classes, and between individuals such social relations as are most moral and most conducive to the general welfare.

The method of accomplishing this necessary readjustment is of capital importance. How to make these transitions from the old status which is unjust and oppressive to the new status best adapted to existing conditions, is a question which men do not often discuss and vote upon; but blindly or seeingly, they must act.

We may suppose two processes of transition in the progress of human society. First, it may be evolutional—completely evolutional. Second, it may be reformative

—less or more violent. In a perfectly evolutional method of transition men would move on from age to age and from stage to stage with a complete comprehension of all the interrelations that should exist in the new age and a complete adjustment of society. There would be no person, no class, no section neglecting or neglected. The new machinery would work without jar or friction, and the result would be ideal. Gradually, constantly, willingly, and happily would men move on in the way of progress, of readjustment, of social perfection. But this has never occurred, and doubtless will never occur. It may serve the author of a new Utopia, but will never be the history of social progress as it is among men endowed as men are now. The other method is that of social reform. Men discover the imperfections, maladjustments and injustices that are in their present social and moral relations, and seek to eliminate the wrongs, to correct the evils, to readapt the social organization in the light of justice, of righteousness, and of human welfare. To some will be given the mind to see where lies the friction, the jar, the injustice; these must enlighten, convince, and persuade others. There may stand opposed to the new adjustment, the stupidity of the victims of the old, the obduracy of its inflictors, the established order of the age, the moral inertia of men in general. Light, inspiration, persuasion and possibly physical force are necessary to bring to pass the change. If the organs of reform are general and enlightened and possessed of the sources of political power, they may achieve the correction of the fault and establish the just relations without violent methods. But if the abuse is long neglected, if its victims have suffered long and helplessly, if the possessors of power have been stubborn and unyielding and the neglected and oppressed, awake, cry out, organize, and attack, the reform will be violent, revolutionary, possibly sanguinary. Such methods of reform are deplorable, and enlightened peoples are seeking to avoid them. Possibly it is better that justice should come even thus than not to come at all; but better is it that reform comes by wise and peaceful methods. If reform cannot be expected to go on in the perfectly evolutional way; if the violent and revolutionary method has grievous and hurtful accompaniments, the best possible process is the way of peaceful reform.

Social reform is the endeavor to readjust social relations upon an ethical basis; to advance society from a condition where the relations between individuals or classes is not just and moral to a state of society where there is justice and right. The best possible way to secure this in a democratic age, where the nominal power is in the possession of the people, and where, though the actual power may be vested in others, it may at their will be resumed by the people, is by the enlightenment of public opinion by wise discussions, by the encouragement of the people to act themselves in accordance with just principles, and to avail themselves of social institutions, of governmental organization,and of political powers for securing the proper adjustment. What then can the Church do to further this peaceful but effective reformation in society?

In order to consider this relation of the Church to social reform we need to note what constitutes the Church, what are its legitimate functions, and what are its organs for co-operating in the reforms.

The Church is the whole body of believers organized under the constituted forms. The Church is not its chiefest officers, not its subordinate agents, not its synods, councils or conferences, not its ministers nor its laity exclusively, but its whole organized body of believers. While each of the members of the Church may hold his private opinion about social usages, may openly advocate his views, may co-operate in many ways to advance his views, and to secure their acceptance and establishment, this can not be said to be the action of the Church, unless the body of believers, through their constitutional organs has determined upon the advocacy of the reforms. However, when the Church has not forbidden, its individual members may be for or against such propositions of reform. This personal action may not in strictness be called the Church, though the members of the Church may in this unofficial way exercise much influence for reform.

The functions of the church may be grouped under three divisions; spiritual, ethical, and social. The Church is in the world to give men a vision of God, to make them aware of a Spiritual Presence with which all men have to do, to emphasize ever in men's minds the worth of the human spirit, its relation to the Eternal, ways of reconciliation and of inspiration. This function she dare not neglect, dare not obstruct, dare not do unfaithfully. To fail in this is to fail of her high calling. Men are to be made to know and feel that they have to do with the very Spirit of love, of truth, of purity, of justice, of holiness. This is her supreme commission.

But the Church surely has an ethical mission; spirituality can not be divorced from morality. God must be shown to be moral in His dealing with His children and His children must be taught to exercise morality with their fellow men. An immoral religion is condemnable, an unmoral religion is censurable. The individual must be warned against vice, shown the personal and social consequences of his sins and made to know that he is his brother's keeper. True it is that great spiritual truths, put to the understanding of men, quicken their moral sense, and stimulate their moral endeavor; but there must be moral appeal, "line upon line, precept upon precept, here a little, there a little," personal vice and social sins must be forbidden; men must be dissuaded from such practices, and lives must be led into the King's highway of holiness. Should the Church fail of this ethical intent, of this moral stimulus, it will lose respect in modern society, its reason of being will be questioned and society will doubt the expediency of its continuance and support.

The church has a social mission in the world. It brings people into fellowship, seeks to have them live in peace and in co-operation; it asks after the unclassed and strives to bring them into its circle. In other days it exercised other social functions. It collected alms and distributed them to the needy; it christened the child and buried the dead, kept the record and the cemetery; it provided the school and cared for the unfortunate. Some of these have now passed under the office of the state. Is it beyond the province of the Church to learn the truth about social conditions, and to foster necessary reforms? Here is the parting of the ways. Some answer, "Yes," and some say, "No," Often our prejudices, our

feeling, our financial interests suggest to us the answer. If the reform appeals to us we say "Yes" if it does not, "No." But certainly in movements against vice, in the elimination of evident injustices, in the abolition of man's inhumanity to man the Church should be expected to favor the progress and co-operate in the reform. Surely when social wrongs are under consideration it may be expected that the Church will be good enough to lift a voice of appeal and lend a hand of help in their correction.

Some of the objections that may be urged against the Church's interference in questions of social reform are as follows. The Church is not primarily interested in questions of economics, of industry, of political control. Its leadership is not usually in the hands of men of commerce, of finance, of legislation, but the clergy have a predominating influence in her councils. Therefore, it may be urged, that the Church is incompetent to direct in social questions involving economic, governmental, and financial factors. It can be answered that the humane side, the ethical aspect of such questions are not less vital and essential that the economic or governmental. And the church, being interested in the humane aspect of such problems should be heard. Again the councils, assemblies, and conferences of the Church are not exclusively filled with the clergy, but here the active, interested, intelligent man of business, of politics, of public affairs has a place and a voice. The policy of the church then may be formulated in the double-light of business interest and of the general human welfare.

The Church is a conservative body. It has a constituency of people of different positions and of differing interests in social questions. There are the man of capital and the man of labor; the master and the servant; the rich and the poor, the fortunate and the unfortunate. While the individual may hold and advocate a theory or principle, to bring a large body to unite sufficiently upon a platform of reform so as to declare it to be the policy and pronunciation of the Church has therefore its difficulty.

Certain individuals of the Church may hold and maintain personal opinions about reform far in advance of their Church. Even after these progressive minds have induced the authoritive organ of the Church to pronounce in favor of their advanced principles, it is difficult to secure the general acceptance and the uniform enforcement of them. The interests of peace, the peril of schism may require that the general Church shall move carefully. One of the valuable functions of the church is to keep persons of different social conditions in sympathy and mutual good will. It may be that in social reform this conservative, reconciling service is most salutary. The church should endeavor to hold men in mutual good will, while they consider, discuss and gain enlightenment and understanding of the problems at issue.

It may be urged that when the Church begins to discuss social reforms, to advocate reconstructions in the relations of society, it is led to neglect its chief aim and purpose, the teaching of spiritual truths and the preaching of man's eternal salvation. This is not necessarily the result. Then man's salvation is temporal as well as eternal; his spiritual life is affected by his social conditions. Then the neglect by the Church of man in unwholesome and unjust conditions, produces

doubt of the Church's intelligence, courage, sympathy, and power. While radicals may intemperately censure the Church, because she does not adopt and forward every novel panacea proposed for the good of men, there is just censure for her blindness or cowardice or neglect in matters of evident injustice and inhumanity. It is not necessary that when the church co-operates in social reform that the pulpit is to be everlastingly discussing these problems and methods for their solution. This may be most unwise, is doubtless often inexpedient. But the Church should give them wise consideration, and with the injured should go her sympathy. It may be that in the pronunciations of her authoritive councils; in her literature periodicals and books, in her conferences, rather than in her sermons she can better utter her voice. Men may differ in what they deem appropriate subjects for pulpit treatment. Bishop Brooks seldom discussed a social problem in his sermons; his was a ministry of spiritual light and of inspiration, a dealing with the eternal verities. On the other hand Washington Gladden brings his principles to bear constantly and explicitly upon practical conduct and social relations. Each has done great good.

Let me cite in conclusion a paragraph from Dr. Charles Reynolds Brown, taken from his Yale lectures to which he has given the title "The Social Message of the Modern Pulpit."

"The church is naturally conservative as to all projects of hasty reform. It directs its efforts mainly to increasing the amount and enlarging the content of that righteousness, individual and social, which constitutes its major study. It seeks, indeed to quicken and strengthen human sympathy with want and pain, but it must seek still more to deepen also the sense of equity and justice which shall serve over wide areas to decrease the occasion for such charitable efforts. If it can steadily exalt the spiritual above the material values, until that just appraisement shall become an abiding part of the moral conscienceness of our race; if it can promote an intelligent and insistent good-will among men as the one-informing principle capable of producing a stable, prosperous, and joyous society; if it can impress upon the heart of mankind the fact that there is a will of God in all these industrial matters, which must be ascertained, obeyed, and realized before we can stand right with Him; and if it can discover and lay bare to the faltering will those deeper sources of motive for social effort, then the Church will be rendering an incomparable service. This does not involve such a knowledge of economics or of political action as would qualify it for statesmanship, but it does involve a fuller understanding of the real content of the Gospel and a fearlessness in making thorough going application of its principles to modern conditions."

President's Address--"The Parcels Post."

W. W. Davis

The modern United States postoffice with its system of uniform rates was the creation of the congress of 1863. Under this law of 1863 eight ounce parcels of a few specific articles of merchandise were transported through the mails at the rate of one cent for each two ounces.

In 1872 the United States parcel post, third class matter, was extended to twelve ounce parcels of general merchandise and four pound parcels of books, at the common rate of one cent for each two ounces. In 1874 the weight limit of all matter handled by the United States parcel post was fixed at four pounds, with the common rate of 1872, one cent for each two ounces; and half the general merchandise rate of today.

The year 1874 saw the highest culmination of the United States parcel post. In 1875 the substitution of the word ounce for the phrase, two ounces, in the law determining the parcel rate, increased the rate one hundred per cent, from eight to sixteen cents per pound. An amendment to the postal appropriation bill of 1876 relieved the publishing interests from the one hundred per cent increase in tax on their merchandise, printed books etc., by reducing the rate on book parcels to that of 1874. The congress of 1879 found third class matter divided into books, circulars, etc., taxed one cent for each two ounces, and general merchandise taxed one hundred per cent higher with so little difference in character in many cases as to make it practically impossible to determine which rate should be applied; a revision to the old law of 1874 with its common rate of one cent for each two ounces would have solved this difficulty with benefit to the public and the post office, but not to the satisfaction of the Express companies. Congress therefore confirmed the then existing confusion by styling books etc, third class matter, eight cents per pound, and other kinds of merchandise, fourth class matter, sixteen cents per pound. This, however left the seed men and farmers subject to the one hundred per cent. increase on their wares, over the old law of 1874 and seedmen and farmers have votes. It therefore happened that in 1888, scions, seeds, bulbs, etc., were

given the old third class rate in cases where they were not intended for use as food.

It will be seen that the United States parcels post of 1874 had a uniform rate for merchandise of one cent for each two ounces, weight of package not to exceed four pounds. This preceded the domestic parcels post of France by six years, and that of Great Britian by nine years.

Compare however 1874 with today:

Some merchandise, printed books, etc, Third class matter, 8c per lb.
Blank Books, Fourth class matter .....16c per lb.
Visiting Cards, printed, Third class matter, ...8c per lb
Visiting cards, blank, Fourth class matter per lb 16c
Christmas cards, printed on paper, Third class matter per lb.....8c
Christmes cards printed on silk, satin or any other substance than paper, Fourth class matter per lb.....16c
Advertisements on ordinary paper, Third class, per lb 8c
Advertisements on blotting paper, Fourth class matter, per lb. ...16c
Potatoes, peas, beans, chestnuts, etc., intended for planting, Third class matter, per lb.....8c
Potatoes, peas, beans, chestnuts, etc., intended for use as food, Fourth class matter, per lb 16c

Is there any rhyme or reason about such rates as those. What difference does it make in carrying these articles whether they are intended for use as food or not, or whether the visiting cards are printed or blank?

Compare also our present service with that of the leading countries of Europe. Parcels of general merchandise: All Germany including Austria, weight limited to 11 pounds in each package; 7 to 11 pounds 12 cents; 22 pounds (two parcels) 24 cents. A package weighing eleven pounds will be carried up to forty-six miles for six cents.

France, weight of package, limited to twenty-two pounds; 7 pounds 12 cents; 11 pounds 16 cents; 22 pounds (one parcel) 25 cents. France also exchanges twenty-two pound parcels with Belgium and Switzerland for thirty cents.

Great Britain, weight of package limited to eleven pounds. 7 pounds 18 cents; 11 pounds 24 cents; 22 pounds (two parcels) 48c. The rates of Great Britain insure to $5.00; a register fee of four cents insures to $25.00.

United States, weight of package limited to four pounds, 7 pounds (two parcels) $1.12; 11 pounds (three parcels) $1.76; 22 pounds (six parcels) $3.52. The United States register fee of eight cents gives no insurance. Our parcels post of 1874 was the best, in 1907 is the worst of any among the great nations.

In Switzerland a package of merchandise weighing forty-four pounds goes through the mails for city and rural delivery for thirty three cents, up to sixty two miles one hundred and ten pounds goes for sixty cents. The Swiss Library post carries four pound parcels to and from home and library for three cents. Why should not American public servants provide as efficient and as cheap postal service for American citizens as European parliaments provide for Europeans; with

First and Second class matter this article has nothing to do, but I wish to compare with the following letter rates:

Great Britain, four ounce letters two cents; United States, general public, four ounce letters eight cents; Congressmen and Senators, four ounce letters Free.

What right have Congressmen and Senators to tax the general public, four times the letter rate of England, while they provide for themselves four ounce letters free?

New Zealand opened the twentieth century by a proclamation of a two cent half ounce letter rate to all the world, and the experiment has proved a brilliant success both financially and commercially. Already one hundred postal administrations accept and deliver New Zealand two cent letters without surcharge, among them the United States. But, however, on letters from the United States to New Zealand, the rate is five cents.

The English parcels post rate was established July 1st, 1883, by the late Henry Fawcett, who was then postmaster general. He was blind, but as minister he displayed the administrative skill of a Kitchener. The English parcels post pay fifty-five per cent. of the postage on railway borne parcels for railway transit. Unlike the German arrangement it does not include a cash on delivery system.

The German parcels post has many merits. In the first place it adapts the "Zone" system to the conveyance of goods, on the principle that it is unfair that it should cost as much to send a parcel fifty, as to send it a thousand miles. It is but just that a manufacturer sending his goods a thousand miles to compete with local dealers should defray at least part of the expense of transit incurred by the post office, and in this way the danger to small local industries is done away with. Another feature is its rapidity of operation. Nearly every train carries mails and parcels, flung in at station after station. It is needless to point out how important this is to the farmer and market gardner, flowers are received with the dew still glittering on their petals. Parcels may be mailed C. O. D., accompanied by the invoice, the postman presents the invoice with the parcel, receives the amount, and by the next mail returns it to the shipper. The present rates were adopted in 1873. The German government has no occasion to enforce heavy rates, it can impose its own terms on the railway companies. By law these have to carry free all parcels under eleven pounds in weight.

That the present rates of most of the foreign countries is not an experiment is proven by the experience of France. France commencing in 1880 with seven pound parcels, extended her parcels limit in 1892 to eleven pounds. In 1897 to twenty-two pounds, the last increase of one hundred per cent proving especially successful. Note the comparison of the parcels posts of France and of the United States:

France, twenty-two pounds in one parcel 25c
United States, twenty-two pounds in six parcels.....$3.52

Under the Laws of the World's postal union, a book goes around the world one pound for eight cents. Why then are American voters taxed sixteen cents per pound on general merchandise, sent by mail across a city street? One reason given

by Mr. Loud, of California, sometime ago, was, "Such business as the post office now does in carrying fourth class matter, should be done by private enterprise. If I had my way the post office would give no more facilities than it gives today, it would give fewer."

THE HENRY BILL

In 1904 Congressman Henry, of Connecticut, introduced the following bill, known as House Resolution 4549.

"Be it enacted by the senate and house of representatives of the United States of America in Congress assembled.

Section I.—That the third and fourth classes of mail matter be and are hereby consolidated under the title of Merchandise at the Third Class Rate, one cent for each two ounces, eight cents per pound.

Section II.—This act shall take effect immediately upon approval thereof."

This looked so simple and the arguments in its favor so unanswerable, that it seemed as if it must be taken up at once and passed. It was indorsed by the legislatures of a number of different states, by the National Grange, the American Federation of Labor, and by various Boards of Trade and other commercial organizations

It was referred, however, to the House Postal Committee and there it remained. One of the majority of the committee expressed his opinion as to the handling of merchandise by the post office in almost the same language as that used by Mr. Loud.

Another said that the "objection to this bill is due to the fact that it is likely to prove an entering wedge for legislation establishing an eleven pound parcel post. A fifty pound parcel post, and after a little a general freight and passenger post."

But what of it? Are we to be debarred from a needed postal improvement because the experience of its benefits may prove the practicability of further improvements?

There is no doubt that the passage of this bill would largely increase the postal revenue and decrease the deficiency which in 1906 was about $13,000,000. no small part of which was due to the Rural Postal Routes.

Where the delivery machine is a post wagon, as in the American Rural Service, the restrictions of the horse power machine to a footman's service could not fail to result in disasterous loss to the post office and little benefit to the rural public.

The average load of the American Rural post wagon, including the entire mail collected and delivered on the average twenty-five mile route, serving 127 houses, nearly six hundred people, is in weight about twenty pounds, bulk, less than a bushel. The cost of the average rural route per month in 1904 was $49.54, the income $10.64 or about forty-one cents per day.

The transportation of intelligence, letters, newspapers etc., valuable as it is to the rural public can not pay the cost of the rural service; and the high merchandise rate, sixteen cents per pound, limited to four pound parcels prohibits the